

MULTIMEDIA



UNIVERSITY

STUDENT IDENTIFICATION NO

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MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 3, 2018/2019

BFN3204 – CREDIT ANALYSIS AND LENDING MANAGEMENT

(All sections / Groups)

29th MAY 2019
9.00a.m – 11.00a.m
(2 Hours)

INSTRUCTIONS TO STUDENTS

1. This Questions paper consists of 2 pages with 4 Questions only.
2. Attempt **ALL** questions. All questions carry equal marks and the distribution of the marks for each question is given.
3. Please write all your answers in the Answer Booklet provided.

QUESTION 1 (25 MARKS)

8 February 2018 - HARDLY a day passes without newspapers publishing classifieds on bankruptcy cases. Between 2013 and 2017, over 100,000 individuals were made bankrupts. The statistics become grimmer if we take into account that 34% of them were between 35 and 44 years old. We are not talking about people who failed to pay loans running into millions but youth as young as 21 or just starting out in life. Daily an average of 41 young people aged between 21 and 40 are declared bankrupt.

And all mainly for bad debts due to hire purchase loans for cars, houses or credit cards worth as low as RM30,000. Things would have been worse if not for Bank Negara Malaysia's foresight in setting up the Credit Counselling and Debt Management Agency (AKPK) 11 years ago. AKPK has helped tens of thousands of people. It counsels and gets to the root cause – usually poor financial planning – for young wage earners, who can hardly make ends meet especially in urban areas. These are the people who are battling with the high cost of living, failure or slowdown in business, high medical expenses and job loss. Regular news reports about young bankrupts and advertisements by creditors led to the timely political will by the government with the passage in Parliament late last year of major amendments to the Bankruptcy Act 1967, now renamed the Insolvency Act.

Another important amendment is raising the debt threshold to RM50,000 at least for bankruptcy declarations from RM30,000 previously, a clause that caught many people especially friends and relatives who stood as guarantors. Over the past four years, the courts cleared over 1,400 bankruptcy cases while some 12,400 more cases were annulled and another 46,000 discharged from bankruptcy. As of last December the agency has helped resolve about 15,000 cases involving debts worth RM617.4 million.

Based on the article, please answer the following questions:

- a) What are the causes of youth bankruptcy? Explain your answer. (10 marks)
- b) Describe on how banks can play some important roles in minimizing high debt among youth. (10 marks)
- c) Explain the consequences to the borrowers if the bankruptcy limit made high as RM50,000? (5 marks)

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QUESTION 2 (25 MARKS)

- a) How the flexibility, cost effectiveness and legal consideration in debt collection policy would increase the chance of debt recovery? Discuss. (15 marks)
- b) In your opinion, why companies must monitor their account receivables? (10 marks)

QUESTION 3 (25 MARKS)

- a) Critically discuss companies or products that under expansion (shake-out), maturity and decline stages in industry life cycle. (15 marks)
- b) How to avoid liquidity crisis in financial institutions? Explain. (10 marks)

QUESTION 4 (25 MARKS)

- a) Briefly explain **FOUR (4)** of credit assessment approaches used by lenders in evaluating their borrowers. (20 marks)
- b) Please define securitization. (5 marks)

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